

Private Ownership of Idaho's Forests and Woodlands

2007 Update:

The shifting economics of the forest products industry have created unprecedented changes in timberland ownership. In the past, what are generally referred to as industrial timber lands were owned by fully integrated companies that owned land, timber and mills and depended on their land base to provide material for the mills. Many of these traditional fully integrated timber companies have reorganized or sold into Timber Investment Management Organizations (TIMO) and Real Estate Investment Trusts (REIT).

Major land owners in the state that have made this move include Potlatch Corp. (2006 - 650,000 acres, reorganized into a REIT), Boise (2004 - approximately 100,000 acres sold to Forest Capital and subsequently to Blixseth Group Inc.), Plum Creek (2005 - 40,000 acres to Blixseth Group Inc.) and Crown Pacific (2001 - 250,000 acres to Forest Capital). (*Source: Company Web Pages*)

Regionally, in 2004 and 2005, over 2.8 million acres of western timberlands changed hands in closed, publicly announced transactions exceeding 20,000 acres by forest industry firms and financial investors.

All these companies now have real estate divisions and have designated "highest and best use" lands that are being sold on the open market. Potlatch Corp. has recently announced that it will sell up to 120,000 acres of its Idaho holdings within the next decade, while Forest Capital has put 20% of its holdings in the "highest and best use" category. Much of this ground is likely to be sold as sub-division sites, second home sites and recreation property or be otherwise converted. As the parcel size becomes smaller, the likelihood of the property being managed for forest products diminishes. Another strategy these companies use is to hold the land as trading stock with the federal or State government with the goal of trading into more valuable lands.

Additional lumber mill closures have come with this reorganization of the timber industry. In the time period from 2002 until 2007 at least 3 mills have closed in Idaho.

Another continuing trend is for these corporate lands to charge access fees for recreational activities on their land. In the Idaho Panhandle, Inland Empire paper Co. has employed forest guards and is charging access fees. Potlatch Corp. is currently exploring a fee access system on their non-Forest Legacy Program easements for implementation in the near future.

The Forest Legacy Program focuses exclusively on private lands, specifically private lands that can be classed as forest and woodlands by virtue of having some tree cover. In Idaho, there are two main classes of forested lands - "timberlands" and "woodlands", and two classes of forest landowners - "industrial" and "non-industrial" (*USDA Forest Service*). Each class of land provides some values, either in terms of direct economic values associated with timber or livestock production or in the wildlife, recreational, aesthetic or other values that each owner perceives. Similarly, each landowner has in mind different goals for managing their land to produce or maintain those values. A discussion of each of these attributes of private land ownership is pertinent to a fuller understanding of how the Forest Legacy Program might function in Idaho.

Figure. 11 Forest and Woodland Ownership in Idaho

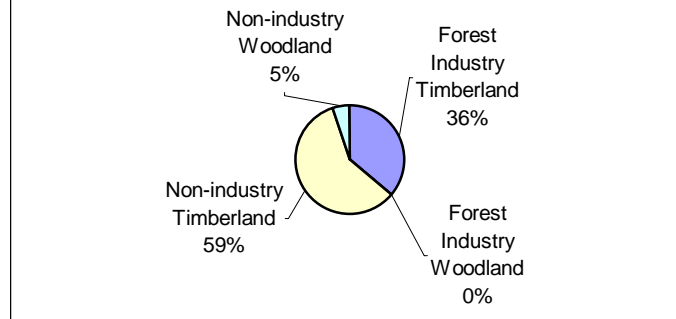


Table 8. Forest and Woodland Ownership In Idaho (Acres)

	<u>North Idaho</u>	<u>South Idaho</u>	<u>Total</u>
<i>Forest Industry</i>			
Timberland	1,066,058	173,406	1,239,464
Woodland	0	14	14
<i>Non-Industrial Owners</i>			
Timberland	1,489,720	538,607	2,028,327
Woodland	0	168,278	168,278
Total	2,555,778	880,305	3,436,083

(Source: USDA Forest Service)

(Note: No updates available 2007)

As noted on page 5, “timberland” and “woodlands” as used by the Forest Service in their periodic surveys of these lands have two distinct meanings. “Timberland” includes areas where tree species that are normally used commercially make up at least ten percent of the other tree species growing on the site. “Woodlands” include those other lands where the tree species are not commercially valuable. In a refinement of that basic concept, the Idaho Tax Commission allows land to be taxed as “forest land” if it is essentially managed for that purpose. Essentially, then, the definition of “forest land” in the Idaho Code does not include “woodlands” as defined above. Most of these lands are classed by the Tax Commission as “dry land grazing”, with a separate tax treatment for them. Table 9 summarizes forestlands by county, according to the Tax Commission. The difference between the total timbered acres treated by the Tax Commission as “forest land” (2,230,159) and the total reported by the Forest Service (3,436,083) is likely to include parcels of land under five acres which Idaho law prohibits being classed as “forest land” and the “woodland” acres generally classed for “dry land grazing”, even if there is some tree cover.

Table 9. Private Timber Owners by County			
County	Timbered Acres	¹Average County Ownership	²NIPF Average Ownership
Adams	72,159	355	80
Benewah	240,569	282	93
Boise	81,417	457	177
Bonner	189,683	86	48
Boundary	113,533	83	53
Clearwater	405,543	594	69
Elmore	6,195	163	163
Gem	840	280	280
Idaho	66,461	89	72
Kootenai	340,001	93	66
Latah	211,637	145	63
Lewis	39,936	158	134
Nez Perce	21,576	77	77
Shoshone	317,557	659	104
Valley	123,051	393	97
Totals/Averages	2,230,159	261	105

¹Includes ownerships over 5,000 acres in size.

²All timbered owners under 5,000 acres in size.

Source: Idaho Tax Commission

(Note: No updates available 2007)

Beyond distinctions based on the amount of tree cover and the purposes for which the land is managed, there is another major distinction to be made in land ownership. “Industrial lands” include those owned by forest products companies and where the clear ownership objective has been to produce commercially valuable crops of timber (although companies are increasingly looking to the other economic value that these lands might have). “Nonindustrial private landowners” (often referred to by NIPFs) have always been somewhat of an enigma to foresters. While these lands typically produce large volumes of timber, this is not often cited as the major ownership goal of these landowners (*Force and Lee*), and how to educate and help these landowners in managing these forests has resulted in numerous public programs and private efforts.

In Idaho, Drs. Jo Ellen Force and Harry Lee set out to determine the social and demographic characteristics of nonindustrial forest landowners, along with their perceptions of the benefits of owning their lands and their plans for it. Among their other findings, they concluded that the reasons for owning forestland in Idaho were generally consistent with those reported in other states. Reasons other than timber production were frequently mentioned and these included recreation, wildlife and aesthetics, as well as simply a “feeling of satisfaction” from owning the land. Although nonindustrial lands typically supply one quarter of Idaho’s annual timber harvest, one-fourth of Idaho’s nonindustrial landowners do not plan to harvest timber and nearly

half are undecided. These landowners state that the loss of recreational and scenic values is the most important reason for not harvesting timber, although over half the landowners surveyed reported that they have harvested timber in the past.

Idaho's typical nonindustrial landowner is most likely to be retired, with an average age of 56. Most live on farms or ranches or in small towns, although this characteristic is most evident among larger nonindustrial landowners. The three major reasons for owning land include preserving wildlife, providing wood for their own purposes, and aesthetic enjoyment. Much farther down the list was "income from timber", although larger landowners frequently cited that reason along with the importance of the land for grazing. Significantly, fifteen percent of the landowners planned to sell a part of their lands within five years and 25 percent of the smaller landowners anticipated selling at least part of their lands.

Despite the reported lack of enthusiasm among many nonindustrial landowners for harvesting timber, this ownership provides timber in an amount that very nearly captures annual sawtimber growth of 447.6 million board feet. On the other hand, timber harvests on industry lands typically exceeds annual sawtimber growth of 292.6 million board feet, largely because the older, slower growing timber is being cut and replaced with new trees that will grow more rapidly (*USDA Forest Service*). All told, timber from both industry and nonindustrial lands make up generally half the total timber harvest in the state.

Table 10.

Private Timber Harvests in Idaho*

Year	NIPF	Industry	Total, All sources	% NIPF	% Industry
1992	393	340	1664	23.6	20.4
1993	393	369	1610	24.4	22.9
1994	414	441	1507	27.5	29.2
1995	345	465	1381	25.0	33.7
1996	290	533	1414	20.5	37.7
1997	328	550	1368	24.0	40.2
1998	263	490	1272	20.7	38.5
1999	356	532	1336	26.6	39.8
2000	318	492	1212	26.2	40.6
2001	268	458	1060	25.3	43.2
2002	338	423	1071	31.6	39.5
2003	342	378	1022	33.5	37.0
2004	466	384	1120	41.6	34.3
2005	429	375	1024	41.8	36.6

**Volumes in Millions board feet(MMBF)*

Source: USDA Forest Service and Idaho Dept. of Lands

Implications for the Forest Legacy Program

Two aspects of private lands and private landowners highlight the importance of the Forest Legacy Program in Idaho. First, the steady rise in the percentage of timber cut each year from private lands implies that any reduction in the amount available from that source could contribute to the closure of more mills in Idaho. The Forest Legacy Program's goal of reducing conversions of forest lands to nonforest uses will help maintain "working forest landscapes" that will support a viable forest industry in the state.

Despite a significant number of landowners who doubt that they will ever sell timber, the evidence would indicate otherwise. It would be very rare indeed to find a parcel of nonindustrial land where some past cutting has not taken place, and substantial volumes are cut each year from this ownership. Even if a particular landowner has no plans to harvest timber, forest health considerations or a change in ownership can easily cause a change in that objective. Private nonindustrial lands play a major role as a source of timber within the state and will likely continue to do so.

Second, nonindustrial landowners, particularly, value all that their forests provide in addition to timber. In fact, it is the loss of the non-timber values that is most often cited as the reason for not harvesting timber. Given some reluctance to harvest timber in order to protect those scenic, recreational and wildlife values, it would seem that there would be an equal reluctance to see these values lost through development of the land. On the other hand, Drs. Force and Lee found that 28 percent of the landowners viewed their lands as an investment and 15 percent of all landowners (25% of smaller landowners) did indicate that they would likely sell at least part of their lands within five years. This would argue that nonindustrial landowners are motivated by money. To the extent this is true; increasing land values would be an enticement to monetize the value of nonindustrial forestlands. The Forest Legacy Program, however, would allow landowners to achieve a significant portion of that value while still meeting their clear goals of protecting all the other values.

Demographic and Economic Trends and Their Implications for Land Use

2007 Update:

Idaho has continued its rapid population growth and is currently the third fastest growing state in the nation with an annual rate of 2.4% and a 2007 estimated population of 1,498,000. This represents a 12% increase from the 2002 population of 1,342,000. Growth has continued to be concentrated in the urban counties and resort areas. (*Source: US Census Bureau*)

Housing starts over the 2002-2007 time period have averaged 18,600 per year for a total of nearly 100,000 new units in 5 years. Housing prices have continued to accelerate at a rapid pace with an average appreciation of 42% over the 5 year time period.

This dramatic growth, built on 28.5 percent growth in the 1990s, has combined with favorable business conditions and an unparalleled quality of life to produce one of the strongest state economies in the nation. Construction, retail and services have expanded to meet the demands of